

Daily Economic Calendar

September 25, 2008

RDQ=RDQ Economics C=Consensus R=Range L=Last

Initial jobless claims (September 20th) 8:30am

RDQ=465K C=450K R=435K to 505K L=455K

Continuing claims (September 13th)

C=NA L=3.478ml

Initial jobless claims remained elevated for the eighth straight week in the second week of September (the week that corresponded with the September payroll survey period). Initial claims were boosted in the week ending September 13th by the effects of Hurricane Gustav and, in the coming weeks, we believe that it is likely that the impact of Hurricane Ike will also lift unemployment claims. In the week ending September 20th, we expect that initial jobless claims rose 10,000 to 465,000.

Durable goods orders (August) 8:30am

RDQ=-2.5% C=-1.9% R=-5.9% to 0.3% L=1.3%

Excluding transportation

RDQ=-1.0% C=-0.5% R=-2.5% to 0.9% L=0.7%

Durable goods orders have painted a stronger picture of order growth than the ISM manufacturing new orders index in recent months. However, if you put durable goods orders

in the month. We look for durable goods orders to have fallen 2.5% in August.

New home sales (August) 10:00am

RDQ=510K C=510K R=493K to 555K L=515K

Months' supply of new homes

C=NA L=10.1

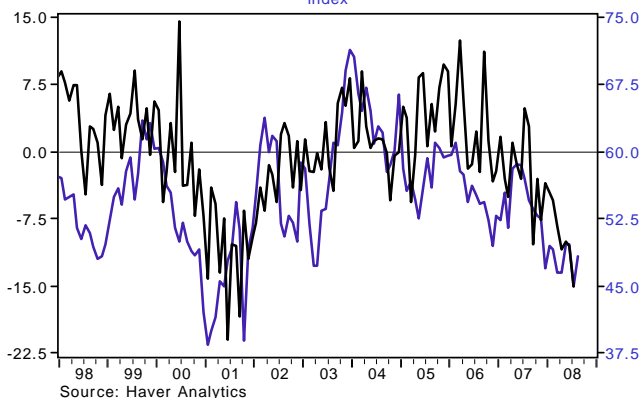
New home sales have been fairly stable in the last four months and the National Association of Home Builders' present sales index suggests that this stability (at a very weak level) may have been sustained later in the third quarter. With the caveat that these data are extremely volatile and revision-prone, we expect that new home sales were little changed at 510,000 in August versus 515,000 in July.

PLENTY OF SIGNALS OF MARKET STRESS

We highlighted in Wednesday's Daily Economic Calendar that the stop-out rate for this week's 28-day TAF auction was well above the one-month LIBOR rate, signaling significant stress in funding markets. Further illustrating this, three-month LIBOR was set at 3.48% on Wednesday morning, up 27 basis points from Tuesday (with the three-month bill rate at 0.46%, this gives us a TED spread of a whopping 302 basis points). In response to these renewed pressures in the funding markets, the Fed established reciprocal swap arrangements on Wednesday with the Reserve Bank of Australia, the Danmarks Nationalbank, the Norges Bank, and the Sveriges Riksbank (we find it difficult to see how this move will be effective in unclogging the funding markets—if \$247 billion in currency swaps with the ECB, BoE, BoJ, SNB, and BoC had little impact, another \$30 billion with smaller central banks is unlikely to have much of an effect). Following a second day of testimony on the troubled asset relief program, equities ended the day (slightly) lower, Treasuries rallied significantly, and swap spreads blew out (to new record wides in the two-year area). Financial markets remain on a vulnerable footing and this suggests to us that there is likely to be continued substantial volatility as developments on the TARP (or lack thereof) are made public (Paulson and Bernanke may be less visible since the witness list for Thursday's testimony on the Treasury's takeover of the GSEs has been changed to include only FHFA Director Lockhart and the new CEOs of Fannie Mae and Freddie Mac).

Real Durable Goods Orders
year-over-year % change

ISM Mfg: New Orders Index
index



in real terms (using the PPI manufacturing index), the durable goods orders data are far more consistent with the ISM data. ISM new orders remained weak in August, although the index rose moderately to 48.3 from 45.0. We expect underlying orders to have been weak in August. In addition, motor vehicle production plunged in August and industry data point to a pullback in aircraft orders—thus, transportation orders appear to have been a significant drag

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